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MARKET ECONOMY AND WELFARE STATES: SOME BASIC ISSUES

□ R. VENKATARAMAN

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By the time this issue of the **Bhavan's Journal** reaches the readers, the Union Budget, for 2001-2002 would have been presented. There will be a lot of debate on the details of the annual budget and their implications for the people. There are however a few basic issues which need to be considered for a long term framework. I mention some below:

(i) The first of these is whether the Planning is relevant to the Nation and if so how it should be shaped and modified.

(ii) The Government has two functions: one, to take care of the year to year problems and the other to take care of the future. In developing countries the burden of clearing the backlog in development of education, health, transport, infrastructural facilities and social services are very heavy and urgent. Besides, the primary function of the Government of India is the eradication of poverty. This can be undertaken only by long term policies and programmes. The trickle down theory does not work speedily in the developing world whatever be its long term effects. The nation cannot wait and as Keynes said "in the long run we are all dead"

Furthermore national objectives enumerated in the Directive Principles of the Constitution referred to require long-term action. Hence a Planning Body, appropriate to the context, appears indispensable.

One of the major functions of the Planning Commission is to determine the size of each State Plan and to equitably distribute the Central Plan assistance to the States of the Union. The Planning Commission has devised a formula for Central Assistance for the Plans based on certain criteria known as the **Gadgil Formula**.

At the same time, the Constitution of India provides for a quinquennial Finance Commission for devolution of assistance to the States to meet the general expenditure. This dichotomy between Plan and Non Plan expenditure seems illogical. It appears to me that a merger of these two institutions may be advantageous for streamlining Central assistance to States.

With the globalization of trade and a vibrant market economy, it is now clear that the Public Sector can no longer be assigned the commanding heights of the economy but on the contrary it has no major role to play. It may be confined to strategic areas like atomic energy, oil, security and defence production etc. Therefore, there should not only be a ban on new Public Sector Enterprises but also a quick denudation of the existing



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ones. Areas of national importance beyond the capacity of private enterprise may be supplemented by State endeavour but very sparingly.

At the same time, the State cannot abdicate its primary responsibility for the welfare of its people. It is an old axiom of political science that the State comes into being not only for protection of life and liberty of the people but it exists for good life of all the citizens. With 38% of our population, below poverty line and another 30% at subsistence level, the country can ignore these problems only at its peril.

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There is wrong notion that market economy and a Welfare State are mutually exclusive. On the contrary countries like Sweden and New Zealand whose economy is completely market-oriented are the greatest Welfare States providing every kind of social security cover from the cradle to the grave for their citizens.

I am sure thinkers of all hues and from all walks of life will endeavour to arrive at a national consensus on these fundamentals so necessary for the economic well being of our teeming millions.

R. Venkataraman
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New Delhi
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